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GANDER DEVELOPMENT CORPORATION

ANNUAL REPORT

FISCAL YEAR 1983 - 1984



GANDER DEVELOPMENT CORPORATION

ANNUAL REPORT

FISCAL YEAR 1983 - 1984

June 1984

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1. The Gander Development Corporation

1.1 Introduction:

The Gander Development Corporation operated as one of several Provincial Crown Corporations under the jurisdiction of the Department of Development, and was created in response to particular economic conditions prevailing in Gander in the mid 1970's.

The Gander Development Corporation was established in 1975 to ensure the competitiveness of Gander International Airport and to diversify the community's economic base.

On May 31, 1984, the Gander Development Corporation was phased out and replaced by a regional office of the Department of Development. The prime reason for this change was identified by the Provincial Government's five-year plan which recommended that development activities across the Province would be better focussed, without additional cost, by rationalizing regional development efforts. The new regional office will be responsible for Central Newfoundland and will have an expanded scope and structure.

The contents of this report cover the activities of the Gander Development Corporation from April 01, 1983 to May 31, 1984, and this document is the organization's final annual report.

1.2 Gander Development Corporation - Board of
Directors and Staff:

During fiscal year 1983-84, the Board of Directors for the Corporation was made up from the following people: Mr. R.F. Symonds, Mr. E.B. Dohaney, Mr. R. Rideout, Mr. W. Tucker, Ms. B. Wakeham, Mr. W. Hoffe, Mr. D.B. Sheppard and Mr. D.E. Power. Early in May 1983, the former chairman, Mr. D.E. Power resigned from the Board and Mr. R.F. Symonds assumed his duties as Chairman.

There were no staff changes as Mr. D.A. Hallett continued to serve as Executive Director, Mr. T. Fudge as Development Officer, and Ms. J. Collins as Office Manager/Secretary.

In announcing the establishment of a Regional Office at Gander, the Minister of Development stressed the importance of the kind of direction and good advice which the Gander Development Corporation Board of Directors was able to give Government on development matters, and indicated a plan for the formation of regional advisory boards to work in conjunction with the Department's regional offices and to retain the benefit of input to Government from such highly regarded business and community leaders.

2. Projects of the Gander Development Corporation
Fiscal Year 1983-84

The projects and activities of the Gander Development Corporation are divided into three basic categories: Primary Projects; Secondary Projects; and General Activities.

3. Primary Projects

3.1 Cool Storage Project and the Export of Fresh Fish:

The Corporation has been pursuing the concept of a cool storage facility or chill room for the airport since the late seventies. The installation of such facilities are considered a major step in establishing a viable fresh fish export market, while at the same time increasing economic activity at the airport.

The concept was articulated in a study in 1979 entitled "The Feasibility of Air Freightng Fresh Fish from Gander International Airport". The study's conclusions were positive and in 1982 the Corporation updated it paying particular attention to the fish holding component of the original study. The updated version was then presented to the Ministry of State for Economic and Regional Development, and was subsequently referred to the Ocean Industry Benefits Group of Department of Regional Industrial Expansion (D.R.I.E.) In the interim, the Gander Development Corporation undertook a

comprehensive marketing study of Newfoundland fish processors to determine if demand for cool storage facilities had changed since the 1979 study. The survey information complemented the existing rationale and showed demand for approximately five (5) million pounds annual storage capacity. Estimates of potential demand were increased even further after discussions were held with the Independent Fish Processors Association of Newfoundland who indicated that several of its members were interested in shipping lobster to the European market. In addition, Fishery Products International indicated that they were re-activating several south coast plants which meant a potential throughput at Gander between 75,000 lbs. - 150,000 lbs. of fresh fish a week by October 1984.

Various government departments studied the proposal and concluded that the project appeared to be viable; yet they could not fund it under their current guidelines. It was then suggested that the private sector be invited to pursue it. Subsequently, two (2) private companies showed serious interest with one (1) now anticipating a facility (60'x30'x20'ht.) to be operational by late fall 1984.

3.1(a) Air Shipment of Fresh Fish to South America:

In other efforts to promote the export of fresh fish, the Gander Development Corporation was successful in facilitating a business arrangement between the British Forces in Belize, South America, and Happy Adventure Sea Products Ltd.

The present arrangement includes the supply of vacuumed packaged cod and flounder packs and could eventually include large volumes of fresh sea products when the fish company gets into its summer schedule. The RAF Detachment in Gander will be arranging regular shipments to Belize via its routing system of Hercules aircraft.

3.2 Air Related Industrial Park:

During fiscal year 1983-84, a start was made on the first phase (44 hectares) of the Gander Air Related Industrial Park. As of June 1984, the access road is near completion and work is just underway on clearing the right-of-ways and the internal road network before tender calls are made for the installation of services and infrastructure. It is anticipated that serviced building lots will be available by the fall of 1984.

The Gander Development Corporation has been an active participant in the community Industrial Park Committee and was to become responsible for the park's marketing and promotion on behalf of the Province. The Department of Development's Regional Office will now assume this role which will be expanded and better aligned to interact with the Newfoundland and Labrador Housing Corporation for greater co-ordination of both administrative and development activities.

3.3 Airport Infrastructure Improvements:

In conjunction with its promotion of air-oriented activity, including the TOPS program, the Gander Development Corporation makes recommendations to Transport Canada regarding facility improvements or additions in cases where it has determined that such improvements will enhance the Airport's competitive position. During the past fiscal year the Gander Development Corporation recognized two (2) areas for improvement which have the potential for positive impact - the upgrading from the present Category I Instrument Landing System (ILS) to a Category II ILS and the installation of passenger covered ramps.

a) CAT. II ILS System - Should the recent efforts by both the airlines and aircraft manufacturers to have twin-engined jets certified for North Atlantic travel be successful, a potential market exists for Gander International Airport. At present, twin engine commercial operations on the North Atlantic are restricted to cargo flights only. Gander is currently being used as a "Tech Stop" for twin engine flights by a German based cargo carrier as well as for several deliveries of A300 (Airbus) aircraft to Eastern Airlines in the U.S.A. In light of the potential new market of twin engine passenger flights, the Gander Development Corporation has had discussions with both the airline industry and the aircraft manufacturers and both have indicated that Gander

International Airport has a significant role to play if proper ILS facilities are in place.

A recent study by the Boeing Aircraft Company points out that most international airports are certified for landings in Category II conditions and some have Category III facilities. The study also points out that "should a B767 experience an engine shutdown at the most critical point on the OTS system, it would be capable of flying for 136 minutes to Gander or Shannon without resorting to use of Greenland or Iceland airfields".

Gander International Airport, with its location on the Great Circle Route, is expected to play a major role in the plans of twin engine operators operating on the North Atlantic. If it is to successfully compete with other North Atlantic Rim Airports, it is imperative that landing facilities be upgraded to Category II ILS.

b) Passenger Covered Ramps - It is normal practice for individual airlines to install passenger covered ramps at airports for the convenience of their passengers. This activity is usually based upon the airlines' passenger volume and the benefits derived from providing a "customer service".

Gander International Airport is unique in that while total airport passenger traffic volumes are high, the volumes are spread among numerous airlines to the extent that it is not feasible for any one individual airline to provide its own ramp services.

The bulk of Gander's passenger traffic stems from deplaning intransit passengers or stop-over passengers from trans-oceanic flights. A major portion of the airport's revenue is derived from these deplaning passengers who avail of services such as the Duty Free Shop, Gift Shop and restaurant facilities, etc.. Revenue per plane usually ranges between \$1,000 - \$2,000 and can be higher.

The present lack of passenger covered ramps dissuades passengers and crews from deplaning into the terminal building during unfavourable weather conditions resulting in a loss of important revenue.

Covered ramp facilities would reduce such losses and would enhance the airport's marketing efforts. While it is obvious that the economics do not dictate that individual airlines provide their own exclusive ramps, there is merit in the concept of a "universal" ramp as an airport marketing venture.

3.4 Executive Jet Marketing Effort:

In last year's annual report mention was made of the Corporation's new efforts in concentrating on the Executive Jet market. These new efforts included a promotional-technical manual entitled "Gander International - A Complete North Atlantic Executive Jet Package", and an advertising strategy geared to aviation-oriented publications.

At the time of writing last year's report, it was too early to gauge the impact of this new marketing initiative which was subsequently extended into the present fiscal year.

During fiscal year 1983-84 analysis was made on executive jet landings at Gander International Airport and the Corporation was pleased to report an astounding 37% increase for this group of aircraft over the previous year. In addition, approximately ninety-six (96) major North American and European Corporations made specific requests for the promotional-technical manual.

In the case of the shorter "crew-version package" both the ground handling company and the weather briefing office at Gander International Airport have reported they have difficulty in keeping up with the demand for the information.

3.5 Trans Oceanic Plane Stops (TOPS):

TOPS landings to the end of April 1984 are up by 120 (30 percent) over the corresponding period in 1983, and the outlook for the remainder of the year is very positive.

As part of the marketing strategy of the TOPS team, three (3) marketing tours were conducted during fiscal year 1983-84. The Gander Development Corporation was able to participate in two trips - Western Europe and Eastern United States, and both were termed highly successful.

The Western Europe trip was unique in that it was made in conjunction with the Honourable Donald Jamieson in his capacity as Canadian High Commissioner to London. A luncheon engagement was planned at the High Commissioner's office with many representatives of the various carriers being invited. This function served a two-fold benefit in that it saved the TOPS team considerable time and money and added a new high profile dimension (in concert with Canada's Export Month) to the marketing effort in Western Europe. Major highlights of this trip evolved around the plans of three (3) carriers. Monarch Airlines are planning to use Gander approximately six (6) times per week with a proposed London-Toronto operation using the twin-engined 757. These plans are on hold pending the ICAO certification of this type of aircraft over the North Atlantic. (see section 3.3(a) which elaborates on this aspect.)

Tradewinds Airways are planning a London-Chicago cargo operation and Sterling Airways have re-activated their Copenhagen-Miami flights. While anticipated landings for Tradewinds are unclear, Sterling will be putting through at least three (3) flights per week. Two representatives from Sterling visited Gander in April and staff from the Corporation and Allied Aviation gave them a detailed briefing and tour of the airport and its attributes.

The Eastern United States tour was conducted during the spring of 1984. American Trans Air will again be using Gander this summer and it is predicting 135 flights with requirements for over one million gallons of fuel and crew changes. Arrow Air plan eight (8) flights per week for a twenty-one (21) week period. Perhaps the most exciting news from this trip came from the discussions with Federal Express who will be using Gander for seventy (70) landings as a result of its 727 retrofit program in Lisbon. In addition, the company is planning a European parcel service which could translate into a minimum of ten (10) landings a week. There is also a possibility, albeit a small one, that the company may be looking for a new uncongested hub. Representatives from Federal Express have been in Gander for detailed discussions and have been hosted by the Corporation.

A special interest highlight for Gander International Airport this past year was the silver anniversary of the first Pan American Boeing 707 service across the Atlantic. Pan Am hosted a special commemorative New York-Paris flight on October 26, 1983. The flight was performed as closely as possible to the original, including a refuelling stop at Gander. Special ceremonies for the tech stop at Gander were hosted by the Town and Gander Development Corporation. Celebrities aboard the flight included Johnny Unitas, Floyd Patterson, Maureen O'Hara, Ertha Kitt, Marcel Marceau and Pierre Sallinger of ABC News.

3.6 Aeroflot - Gander Aviation Fuel Storage Project:

With the signing of the Memorandum of Understanding between Canada and the U.S.S.R., Gander Aviation can now continue its efforts to put the necessary fuel storage facilities in place to refuel the Soviet airline. Because of the delay, certain aspects of the project have had to be reviewed and this work is essentially complete.

It is hoped to have all infrastructure in place by September or October of 1984 and this arrangement should see the return of Aeroflot Soviet Airlines through Gander with up to 600 flights per year.

The contract between Aeroflot and Gander Aviation is for a minimum period of four (4) years and calls for the consumption of three million gallons of fuel for the first year and 3.5 million gallons for each of the remaining three (3) years. It is anticipated that consumption may reach six (6) million gallons a year for the life of the contract.

Corporation staff conducted an economic impact assessment of what this project could mean to Gander. While the assessment was somewhat crude in terms of the limitations of the given assumptions, it did provide a good guesstimate. The impact was determined to be approximately 4.9 million dollars per annum. This figure excluded some major items such as the 1.8 million dollars for infrastrucutre, direct handling fees to Gander Aviation, fuel transportation between

Lewisporte and Gander, funds expended by Gander Aviation for engineering, design, travel, etc., and the spin-offs as a result of special arrangements for fishing crew changes between Newfoundland Dockyard and the Soviet fishing fleet Sovrybflot. In addition there is the increased potential to attract other East Bloc business for Gander International Airport.

3.7 E.P.A. Relocation - Joint Consultative Committee:

Development efforts for Gander received a setback in 1983 with the announcement that Eastern Provincial Airways would be relocating its headquarters from Gander to Halifax, Nova Scotia. A rough estimate from between \$38.5 million and \$44 million was calculated to be the annual negative impact on Gander which represents approximately 700 direct and indirect jobs plus economic spin-off.

In light of E.P.A.'s plans, the Federal Government, under the auspices of the Department of Manpower and Immigration, has set up a Joint Consultative Committee to evaluate alternative employment prospects. A number of the Corporation's initiatives have been supported by the Committee and the two most current projects under review include investigations pertaining to the establishment of an aviation museum and evaluating the prospect of setting up a pelletized fuel industry utilizing waste from forest harvesting operations.

3.8 Newfoundland & Labrador Construction Association:

Under an agreement with the Association, Gander Development Corporation provided services, for a fee, to operate the NLCA Gander office. This involved running a plan viewing area for members, sale of tender documents, and the operation of bid depositories for the various sub-trades.

With the winding down of the Gander Development Corporation on May 31, 1984, the arrangement with the Association was terminated and assistance was provided to the NLCA in moving their operation to another Gander location.

4. Secondary Projects

4.1 Aviation Museum:

The Gander Development Corporation is represented on a community sub-committee which was created to look into the viability of setting up an Aviation Museum in Gander. Thus far, the Gander Development Corporation has assisted in compiling cost figures for various types of buildings, and has investigated potential sources of funding.

4.2 Retail Fish Store - Gander International Airport:

The Gander Development Corporation worked with a local firm for several months on the prospect of establishing a retail fish outlet in the air terminal building.

Following preliminary discussions with Transport Canada it was decided to approach the project on a "market test" basis with the store serving both the domestic and international areas of the Air Terminal Building, as well as the general public of Gander and the surrounding areas.

Despite the efforts by Gander Development Corporation, the project has not yet materialized.

4.3 Customs Free Zone Report:

The Gander Development Corporation was fortunate to obtain the services of a work term business student from Memorial University and in consultation with the Corporation's staff, the student compiled a report entitled "Customs Free Zones and their Adaptability to Gander".

Topics covered in the report included the following:

- (1) Definition and history of Customs Free Zones;
- (2) Advantages and disadvantages of Customs Free Zones;
- (3) Canadian Customs Laws;
- (4) Cost of Capital Assets and financial incentives needed to set up a Customs Free Zone; and
- (5) Types of firms that could be attracted to a Gander zone.

The basic conclusion of the report states that while Customs Free Zones can be established under existing Canada Customs regulations, it is doubtful if such a zone would be an effective promotional tool without other incentives to prospective investors.

4.4 Participation at Trade Shows:

The Gander Development Corporation attended both the Core Show held in Halifax and the Marine '83 Exhibition held in St. John's. Both promotional efforts were joint endeavours with the Town of Gander which recently purchased a SYMA display booth for this purpose. In general, both shows were well attended and the Gander Development Corporation established new contacts and followed up on earlier discussions with companies which had expressed interest in relocating in the new industrial park once land becomes available.

With regard to Marine '84, Atlantic Expositions Ltd. of Gander have approached the Gander Development Corporation in an effort to hold the Trade Show in Gander. Some discussions have taken place concerning obtaining suitable space. The Town of Gander was also approached for assistance and financial support, and it now appears the show will go ahead and will be located in the Eastern Provincial Airways Hangar.

4.5 Update of Statistical Information - Local Area:

Due to budgetary restraint, the Corporation was unable to design and print new promotional literature for the Gander region.

During fiscal year 1983-84 the Corporation's stock of promotional publications (i.e. TOPS brochures, Gander Profile, Gander Statistical Sheet, Gander East Coast Offshore Service Centre) became virtually depleted.

Because of this information gap, staff prepared a simplified, but updated, "mimeographed" community profile. Although not an eye-catching glossy promotional publication, it does serve the purpose of providing up-do-date information regarding many local socio-economic characteristics.

4.6 Tourism Promotion - Switchel Schooner Adventure:

During the winter and spring of 1984, staff of the Gander Development Corporation have had a number of discussions with the principals of Switchel Schooner Adventure. This company will be using Carmanville as a base for its tour operations (sailing in scenic Hamilton Sound and navigating the Gander River on one of the unique Gander River Boats) between July 01, 1984 to August 26, 1984. The Gander Development Corporation has assisted the company with its marketing effort by disseminating brochures to selected target groups. These target groups include flight slip crews of major airlines and corporate jet crews and passengers that frequent Gander International Airport on various trans-Atlantic or trans-Continental flights.

In addition to this activity, the Gander Development Corporation ensures that brochures are strategically placed in hotels, at the Airport Information Counter and at the Tourist Chalet on the Trans Canada Highway.

4.7 Site Location Inquiries/Information Requests:

Promotion is an integral part of the Gander Development Corporation's mandate and each year funding is budgeted for the purpose of advertising in popular trade journals and industrial development publications. Unlike other years, the Gander Development Corporation focussed attention mainly on Canadian publications such as Oilweek and The Financial Post.

During this past year, the Corporation's advertising program resulted in fifty-nine (59) site location inquiries.

In addition to these inquiries, several specific information packages were prepared and specifically "tailored" to the individual requests.

4.8 Support of Local Industry:

In addition to its marketing and promotion activities involving the attraction of new business to Gander, the Gander Development Corporation continued its role in supporting the expansion or enhancement of existing Gander firms.

During 1983-84 the Corporation assisted seven (7) local companies in various capacities.

While supporting private companies, the Gander Development Corporation also maintained rapport with the various local Government offices (i.e. Forestry, Rural Agriculture & Northern Development, Canada Mortgage & Housing Corporation, Federal Business Development Bank, Newfoundland & Labrador Housing Corporation, and Newfoundland & Labrador Development Corporation).

5. Summary of General Activities

5.1 Seminars and Workshops:

Through the year, the Gander Development Corporation participated, and in some cases co-sponsored, a number of seminars and workshops.

A brief listing of these activities is as follows:

- (1) Peat Symposium - St. John's
- (2) Transportation Seminar - St. John's
- (3) Fisheries & Oceans Canada and Air Canada -
Marketing Fresh Fish (General Discussions) -
St. John's
- (4) F.B.D.B. (various workshops) - Gander
- (5) Export Promotion Day - Gander

5.2 Department of Development Portable Kiln Project:

The Gander Development Corporation has been following this project with great interest. This interest stems from the fact that large stands of hardwood are readily available in central Newfoundland and that a potential domestic market exists for kiln dried wood which would replace the more expensive imported hardwood.

Gander Development Corporation staff have had several discussions with the Development Officer from the Department of Development responsible for the project, and have been given detailed information including a "hands-on" demonstration of how the kiln works. Several woodworking shops in the central region have shown interest and the Gander Development Corporation office has been displaying samples of Newfoundland birch that was dried by the portable kiln.

Major benefits of the kiln include the fact that building materials are readily available and the process is relatively uncomplicated.

5.3 In-House Reviews of Federal and Provincial Policies and Programs which affect Gander Directly or Indirectly:

A routine activity of the Gander Development Corporation involves the regular monitoring of changes in Government Departments as well as keeping in tune with almost three hundred government assistance or support programs. The Corporation's staff maintains an on-going file on all types of government programs (both Provincial and Federal) and this file is being constantly updated.

5.4 Liaison with Town of Gander and other Communities:

The Corporation maintains close ties with the Gander Town Council which is facilitated by attendance at the regular meetings of the Council's Development Committee. These meetings are important in that both groups are kept aware of each others activities to ensure that the Town and the Corporation work in parallel toward a common goal.

The Gander Development Corporation also maintains liaison with other communities especially in areas of mutual concern and where the benefits are regional in scope. For example, close ties are maintained with both Lewisporte and Botwood. In Lewisporte's case, the relationship stems from the Aeroflot fuel storage project while close ties with Botwood relate to oil and gas activity.

5.5 Liaison with the Gander Chamber of Commerce:

The Corporation is fully cognizant of the need to maintain a good working relationship with the business community in the Gander area, and this is accomplished by membership and active participation in the Gander Chamber of Commerce.

Topics of particular interest to the private sector are discussed with Chamber of Commerce members on a regular basis at both executive and general membership meetings, and for part of fiscal year 1983-84, the Corporation's Executive Director served as Chairman of the Chamber's Tourism Development Committee.

6. Outlook 1984-85

As outlined in the introductory section of this report, the Gander Development Corporation was formed in response to specific economic conditions prevailing in the community in the mid 1970's.

Aviation fuel shortages and decreased landings at Gander International Airport led to the formation of the Gander Development Corporation in 1975 with the following specific objectives:

- (1) To promote and assist in the industrial development of the Town of Gander and the surrounding area in relation to Gander International Airport;
- (2) To promote use of, and to assist in, the development and expansion of the services and facilities at Gander International Airport;
- (3) To purchase, transport, store, handle, sell, supply and deal in aviation fuel for Gander International Airport.

Circumstances have changed significantly since the formation of the Gander Development Corporation in 1975, and it is now appropriate to formulate development plans on a regional basis. To this end, a new Regional Office of the Department of Development replaced the Gander Development

Corporation on June 01, 1984. This new office will formulate a regional development strategy for central Newfoundland based on such key elements as natural resources, geographic considerations, municipal services, transportation facilities, industrial land and human resources.

To accomplish its objectives, Regional Office staff plan to hold extensive discussions with various community councils and development associations to establish good working relationships which will ultimately lead to a well-founded regional development strategy.

The Region offers a wide variety of development prospects and it is hoped that through a cooperative effort, specific development projects can be identified and implemented which will provide long term employment opportunities.

7. Financial Statement

The budget for the Gander Development Corporation for the fiscal year 1983-84 was \$165,000.00. This amount consisted of a \$140,000.00 grant from the Provincial Department of Development and \$25,000.00 from the Corporation's current assets.

A financial statement for fiscal year 1983-84 has been prepared by the Corporation's accountants, and this document is available under separate cover. An audited statement from the office of the Provincial Auditor General will be forthcoming in due course.

